

WHAT IS CLAIMED IS:

1. A method for providing survivor's benefits to be paid to a designated beneficiary of a plan participant so that income tax and estate tax liability are minimized, thereby resulting in the receipt of a higher percentage of the benefits by the beneficiary, the method further producing a net reduction in liabilities for the employer, the method comprising the steps of:

determining an amount of survivors' benefits to be paid to the participant's designated beneficiary, wherein at least a portion of the determined benefits are existing survivors' benefits designated under a plan;

permitting the substitution of a life insurance policy for the determined benefits by the employee;

selecting the life insurance policy having a benefit amount approximately equal to the determined benefit amount;

determining the premium to be paid on behalf of the participant for the insurance policy having the selected benefit amount;

calculating a before-tax value of a reduction in participant compensation such that an after-tax value of the reduction is approximately equal to the insurance policy premium;

deducting an amount from the participant's compensation equal to the insurance policy premium;

designating a beneficiary of the insurance policy,

paying on behalf of the participant of the insurance plan premium, wherein the paying is performed with participant compensation; and

entering the substitution of the life insurance policy for the determined benefits as a reduction in accrued employer liabilities on a balance sheet, wherein the selected insurance policy purchased on behalf of the participant, which is not subject to the employer's creditors, increases the survivor's benefits payable to the beneficiary.

2. The method of claim 1, wherein the amount of benefits is determined by the participant or the participant's employer.

3. The method of claim 1, wherein the plan is selected from the group consisting of a non-qualified deferred compensation plan and a supplemental executive retirement plan.

4. The method of claim 1, wherein the reduction in participant compensation is a reduction from a salary paid by the employer to the participant.

5 5. The method of claim 1, wherein the method may be performed at no additional cost to the employer.

6. The method of claim 1, wherein the determined benefits are greater than the existing survivors' benefits.

7. The method of claim 1, the method further including an elimination of an existing
10 survivor's benefit.

8. The method of claim 1, further comprising the step of:

upon the death of the participant, receiving by the beneficiary a remaining benefit amount of the insurance policy on an income tax-free and estate tax-free basis.

9. The method of claim 8, wherein the amount received by the beneficiary is approximately
15 equal to the pre-tax value of the survivor's benefits intended to be distributed by the participant and the employer.

10. A method for providing survivor's benefits to be paid to a designated beneficiary of a plan participant so that income tax and estate tax liability are minimized, thereby resulting in the
20 receipt of a higher percentage of the benefits by the beneficiary, the method further producing a net reduction in liabilities for the employer, the method comprising the steps of:

reviewing an existing compensation structure to determine an amount of survivors' benefits currently provided;

25 permitting the substitution of the a life insurance policy for survivors' benefits by the employee;

calculating a reduction in plan survivorship liabilities caused by the substitution of a life insurance policy for survivors' benefits;

selecting the life insurance policy, wherein the life insurance policy has a benefit amount approximately equal to the predetermined benefit amount;

determining a premium to be paid by the employer for the insurance policy;

calculating a before-tax value of a reduction in employee compensation such that an
5 after-tax value of the reduction is approximately equal to the insurance policy premium;

paying the insurance plan premium;

designating a beneficiary of the insurance policy; and

entering the substitution of the life insurance policy for survivors' benefits as a reduction
in liabilities on a balance sheet,

10 wherein the method results in a net reduction in survivorship liabilities for the employer,
and further wherein the selected insurance policy purchased on behalf of the employee, which is
not available to the employee and employer's creditors, increases the survivors' benefits payable
to the survivors of deceased participants.

11. The method of claim 10, wherein the plan is selected from the group consisting of a non-
15 qualified deferred compensation plan and a supplemental executive retirement plan.

12. The method of claim 10, further comprising the step of agreeing by the parties to
continued payment of the insurance plan premium.

13. The method of claim 10, further comprising the steps of:

upon the death of the participant, receiving by the beneficiary the benefit amount of the
20 insurance policy on a minimized income tax and estate tax basis.

14. A method for providing survivor's benefits to be paid to a designated beneficiary of a
plan participant without income tax and estate tax liability, thereby resulting in the receipt of a
higher percentage of the benefits by the beneficiary, the method comprising the steps of:

25 reviewing an existing compensation structure to determine an amount of survivors'
benefits currently provided;

determining an amount of benefits to be paid to the participant's survivor;

permitting the substitution of a life insurance policy for the survivors' benefits by the employee;

calculating a reduction in plan survivorship liabilities;

5 selecting a life insurance policy having a benefit amount approximately equal to the predetermined benefit amount;

determining an after-tax premium to be paid by the employer for the insurance policy having the selected benefit amount;

calculating a before-tax value of a reduction in employee compensation such that an after-tax value of the reduction is approximately equal to the premium;

10 paying of the insurance plan premium to purchase the life insurance policy, wherein the before-tax value of the reduction retained by the employer substantially offsets the after-tax premium paid by the employer such that that employer purchases the life insurance policy at substantially no cost to the employer;

designating the plan participant's survivor as a beneficiary of the insurance policy; and

15 entering the reduction in plan survivorship liabilities in a balance sheet as a net increase in assets,

wherein the method results in a net reduction in survivorship liabilities, and further wherein the selected insurance policy purchased by the employer, which is not subject to the employer's creditors, increases the survivor's benefits payable to the survivors of deceased participants.

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15. The method of claim 14, wherein the plan is selected from the group consisting of a non-qualified deferred compensation plan and a supplemental executive retirement plan.
16. The method of claim 14, further comprising the step of agreeing by the parties to continued payment of the insurance plan premium.
- 25 17. The method of claim 14, further comprising the step of: upon the death of the participant, receiving by the beneficiary the benefit amount of the insurance policy on a minimal income tax and estate tax basis, wherein the amount received by the beneficiary is approximately equal to

the pre-tax value of the survivor's benefits intended to by the participant and the employer to be distributed.

18. A method for structuring a compensation plan such that survivor's benefits are paid to a designated beneficiary of an employee in a manner that results in minimal income tax and estate tax liability, thereby resulting in the receipt of a higher percentage of the benefits by the beneficiary, the method further producing a net reduction in liabilities for the employer, the method comprising the steps of:

determining an amount of benefits to be paid to the employee's beneficiary;

10 permitting the substitution of a life insurance policy for the determined benefits by the employee;

selecting a life insurance policy having a benefit amount approximately equal to the determined benefit amount;

determining a premium to be paid for the insurance policy;

15 designating a payer to pay the premium for the insurance plan premium;

designating a beneficiary of the insurance policy;

paying by the payer of the insurance plan premium; and

entering the substitution of the life insurance policy for the determined benefits as a reduction in accrued employer liabilities on a balance sheet,

20 wherein the selected insurance policy, which is not subject to the employer's creditors, increases the survivor's benefits payable to the survivors of deceased participants.

19. The method of claim 18, wherein the amount of benefits is determined by the employee or the employee's employer.

20. The method of claim 18, wherein the method is performed at no additional cost to the
25 employer.

21. The method of claim 18, the method further including the step of calculating a before-tax value of a reduction in employee compensation such that an after-tax value of the reduction is approximately equal to the after-tax premium.

5 22. The method of claim 21, the method further including the step of retaining by the employer the before-tax value of the reduction in employee compensation.

23. The method of claim 18, the method further including an elimination of existing survivors' benefits.

24. The method of claim 18, further comprising the step of:

10 upon the death of the participant, receiving by the beneficiary a remaining benefit amount of the insurance policy on an income tax-free and estate tax-free basis.